



November 28, 2012

Mr. Martin J. Briley  
President and CEO  
Virginia Economic Development Partnership  
P.O. Box 798  
Richmond, VA 23218-0798

Dear Mr. Briley:

As we have discussed, the City of Virginia Beach has received a proposal from the team of Comcast-Spectacor and Live Nation to partner with us in the development and operation of a **new 18,500 seat sports, entertainment and event arena in the Virginia Beach Resort Area**. A key component of this project includes the commitment of Comcast-Spectacor to bring a **professional sports franchise** as the major tenant for the facility.

The capital cost of the new facility, to be owned by the City of Virginia Beach, is estimated at approximately \$300 million. In addition, costs associated with the relocation of a professional sports franchise are estimated at \$80 million.

The City of Virginia Beach is able to finance approximately \$195 million of arena capital costs **without negative impacts to the City's bond rating or debt capacity**:

Comcast-Spectacor has agreed to a substantial financial participation in this project:

- Provide \$35 million equity funding towards arena construction
- Guarantee 25 year lease term
- Guarantee annual operating costs for length of the lease
- Estimated 200 events programmed annually
- Ensure professional sports franchise as major tenant

**A commitment of \$150 million in financial participation from the Commonwealth of Virginia is requested:**

- \$70 million for arena capital costs
- \$80 million towards estimated relocation fees and anticipated team revenue losses
  - o Estimated \$30 million relocation fee to be paid to the governing league of the professional sports franchise (distributed over a term of 5 years)
  - o Estimated \$8 million in corporate relocation costs (moving expenses, temporary office space, etc.) to be paid to the team during first year
  - o Estimated \$42 million to offset lost revenue team will incur by playing in temporary, smaller venue for 2 seasons while new arena is under construction (ie, reduced ticket and advertising sales, etc.)

The City's Development Authority had been working with several consultants (including Comcast-Spectacor) since 2011 to evaluate the feasibility of building an arena, without a major tenant. Based on the results of that study, Comcast-Spectacor realized the opportunity that exists in Virginia Beach for an arena of this size to host large national concerts, other entertainment events, and to serve as home for the first "major league" professional sports franchise in the Commonwealth of Virginia. On August 28, 2012, the City received the formal proposal from Comcast-Spectacor and Live Nation to operate, manage and program an 18,500 seat arena in Virginia Beach.

Since receiving this formal proposal, the City has been working with Comcast-Spectacor and numerous other consultants on creating the appropriate financial structure that will support the construction, operation, maintenance and debt service for the arena, as well as attracting a professional sports franchise to serve as its major tenant.

Dr. James V. Koch, President Emeritus Old Dominion University, estimated significant positive economic impact from this facility, with a professional sports franchise as lead tenant, to the Hampton Roads region and City of Virginia Beach (attached):

- 1,230 permanent jobs created
- \$98.4 million annual regional economic impact
- \$5.6 million annual total net new tax revenues generated

At the request of Virginia Beach City Council, the firm of CSL International was engaged to review Dr. Koch's study. **CSL confirmed the project would generate significant local positive economic impact** in excess of Dr. Koch's estimates (attached):

- 1,900 new permanent jobs
- \$152 million annual regional economic impact
- \$8.9 million annual total net new tax revenues generated

As you are aware, **this type of facility will serve not just the local Virginia Beach market, but will create significant positive impact throughout the Commonwealth.** Based on an analysis prepared by Chmura Economics & Analytics (attached), the Commonwealth is expected to benefit from significant positive economic impacts:

- \$502.6 million annual total statewide economic impact
- 3,712 new jobs supported statewide
- \$10.9 million estimated new annual state tax revenue

Both Chmura and Koch anticipate significant additional impact and revenues to be generated during the arena construction process (2013-2015).

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Based on the projected statewide economic impact, this will be **one of the largest Economic Development projects for the Commonwealth of Virginia** in recent years. We have conducted preliminary briefings with our local General Assembly delegation and received favorable responses. Additionally, Governor McDonnell is fully aware of our efforts, as are Secretary of Commerce and Trade Jim Cheng and Senior Economic Advisor Bob Sledd.

Because of a variety of issues, this project is facing a significant and critical time crunch. In order to meet the prospective team's operational and playing schedules, construction on the proposed new arena must begin in 2013. This means that **state funding needs to be confirmed during the upcoming 2013 session of the General Assembly**. Virginia Beach City Council was briefed on the state request at their meeting on November 27, 2012. **Without financial participation from the Commonwealth, this project cannot move forward.**

This will be a facility for the entire Commonwealth, and the team will be the Commonwealth's team. Your help in reviewing this request for assistance is crucial to meeting the timing requirements of this important and exciting project. Any additional information your team may need as they evaluate this request will be provided as quickly as possible.

Thank you, very much, for your help and support.

Sincerely,

A handwritten signature in black ink, appearing to read "Warren D. Harris".

Warren D. Harris  
Director

WDH/SCH

Attachments

c: Jim Cheng, Virginia Secretary of Commerce & Trade